

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name N. MI Law Enforcement Training Group	County Grand Traverse
Fiscal Year End December 31, 2006	Opinion Date June 29, 2007	Date Audit Report Submitted to State June 29, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

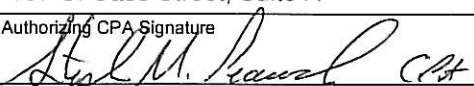
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☐ ☒ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Rehmann Robson		Telephone Number (231) 946-3230	
Street Address 107 S. Cass Street, Suite A		City Traverse City	State MI
Authorizing CPA Signature 		Printed Name Stephen Peacock	Zip 49684
		License Number 1101021255	

**NORTHERN MICHIGAN LAW
ENFORCEMENT TRAINING GROUP**

FINANCIAL STATEMENTS

**For the Year Ended
December 31, 2006**

NORTHERN MICHIGAN LAW ENFORCEMENT TRAINING GROUP

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

June 29, 2007

To the Board of Directors
Northern Michigan Law Enforcement
Training Group
Traverse City, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund and the remaining fund information of the ***Northern Michigan Law Enforcement Training Group***, as of and for the year ended December 31, 2006, which collectively comprise ***Northern Michigan Law Enforcement Training Group***'s basic financial statements, as listed in the table of contents. These financial statements are the responsibility of ***Northern Michigan Law Enforcement Training Group***'s management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the remaining fund information of the ***Northern Michigan Law Enforcement Training Group*** as of December 31, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The ***Northern Michigan Law Enforcement Training Group*** has not presented a Management's Discussion and Analysis (MD&A) as required supplementary information that the *Governmental Accounting Standards Board* has determined is necessary to supplement, although not required to be, a part of the basic financial statements.

NORTHERN MICHIGAN LAW ENFORCEMENT TRAINING GROUP

STATEMENT OF NET ASSETS AND GENERAL FUND BALANCE SHEET

DECEMBER 31, 2006

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets			
Cash and cash equivalents	\$ 83,972	\$ -	\$ 83,972
Capital assets, net of accumulated depreciation	-	829	829
Total assets	<u>\$ 83,972</u>	<u>829</u>	<u>84,801</u>
Fund Balance / Net Assets			
Fund Balance (unreserved)	<u>\$ 83,972</u>	<u>(83,972)</u>	<u>-</u>
Net Assets:			
Invested in capital assets		829	829
Unrestricted		<u>83,972</u>	<u>83,972</u>
Total net assets		<u>\$ 84,801</u>	<u>\$ 84,801</u>

The accompanying notes are an integral part of these financial statements.

NORTHERN MICHIGAN LAW ENFORCEMENT TRAINING GROUP

STATEMENT OF ACTIVITIES AND GENERAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures / expenses			
Training coordinators	\$ 32,300	\$ -	\$ 32,300
Meals	120,311	-	120,311
Housing	22,683	-	22,683
Liability insurance	2,149	-	2,149
Office	1,854	(921)	933
Depreciation	-	92	92
Total expenditures / expenses	179,297	(829)	178,468
Program revenues			
Membership dues	208,543	-	208,543
Revenues over (under) expenditures	29,246	(29,246)	-
Change in net assets	-	30,075	30,075
Fund balance / net assets			
Beginning of the year	54,726	-	54,726
End of the year	\$ 83,972	\$ 829	\$ 84,801

The accompanying notes are an integral part of these financial statements.

NORTHERN MICHIGAN LAW ENFORCEMENT TRAINING GROUP

Notes To Financial Statements

1. DESCRIPTION OF THE ENTITY

The *Northern Michigan Law Enforcement Training Group* (the “Organization”) was formed in 2001 as a cooperative, multi-jurisdictional unit to provide law enforcement training to local governments to maintain a proper level of law enforcement for public safety. The Organization was formed by an interlocal agreement pursuant to the Michigan Constitution of 1963, Article 7, Section 28, and the Urban Cooperation Act, 1967 PA 7, that was approved by the duly elected legislative bodies of Grand Traverse County, Kalkaska County and the City of Traverse City and the Governor of the State of Michigan. The Organization is able to provide law enforcement training through membership dues that are charged to members of the Organization (membership is required in order to receive training from the Organization).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and fund financial statements

As permitted by GASB Statement No. 34, the Organization uses an alternative approach reserved for single program governments to present combined government-wide fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and General Fund Balance Sheet and the Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balances.

The Organization maintains only one governmental fund – the general fund, which is also considered a major fund for reporting purposes.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Modifications from the accrual basis are: (a) revenue is recognized when it becomes measurable and is available as a net current asset and (b) expenditures are recorded when the liability is incurred. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the

NORTHERN MICHIGAN LAW ENFORCEMENT TRAINING GROUP

Notes To Financial Statements

government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts presented as *program revenues* include 1) membership dues and 2) operating or capital grants and contributions. No grants or contributions were received during 2006.

Deposits

Cash and cash equivalents consist of deposits in a demand bank account.

Capital Assets

Capital assets are comprised of office equipment and are reported as governmental activities in the government-wide financial statements. Capital assets are defined by the board as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend asset lives are not capitalized.

Office equipment is depreciated using the straight-line method over estimated useful lives of 5 years.

Donated Services

Substantial services related to the utilization of personnel and personal property are contributed by cooperating members. The value of these services has not been recognized in the financial statements since the amount is not subject to reasonable estimation. Any legal proceedings resulting from the actions of such personnel or the use of donated personal property are the responsibility of the members.

NORTHERN MICHIGAN LAW ENFORCEMENT TRAINING GROUP

Notes To Financial Statements

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets should be adopted on a basis consistent with generally accepted accounting principles for the Organization's General fund. No later than December 31st of the preceding fiscal year the Board of Directors shall, by resolution, adopt the budget for the next year. For 2006, the Organization's Board of Directors did not adopt a budget for the General fund.

4. DEPOSITS

State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase
- Bankers acceptances of United States banks
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service
- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation
- External investment pools as authorized by Public Act 20 as amended through 12/31/97

Interest Rate Risk. The Organization's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NORTHERN MICHIGAN LAW ENFORCEMENT TRAINING GROUP

Notes To Financial Statements

Credit Risk. The Organization's investment policy does not have specific limits in excess of state law on investment credit risk. At year-end, the Organization had no investments and was therefore, not exposed to credit risk.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be returned. State law does not require and the Organization does not have a policy for deposit custodial credit risk. At year-end, none of the Organization's bank balance of \$47,175 was exposed to custodial credit risk as none of the balance was uninsured and uncollateralized.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk. The Organization's investment policy does not have specific limits in excess of state law on concentration of credit risk. At year-end, the Organization had no investments and was therefore, not exposed to concentration of credit risk.

5. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets being depreciated:				
Office equipment	\$ -	\$ 921	\$ -	\$ 921
Less accumulated depreciation for:				
Office equipment	<u>-</u>	<u>(92)</u>	<u>-</u>	<u>(92)</u>
Governmental activities capital assets, net	<u>\$ -</u>	<u>\$ 829</u>	<u>\$ -</u>	<u>\$ 829</u>

6. RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and distribution of assets; errors and omissions; injuries and natural disasters. The Organization carries commercial insurance to cover any potential claims associated with these risks and has had no claims that exceeded the insurance coverage during the past year.

NORTHERN MICHIGAN LAW ENFORCEMENT TRAINING GROUP

Notes To Financial Statements

7. ADJUSTMENTS

Following is an explanation of the adjustments between the general fund balance sheet and the government-wide statement of net assets, which reconciles fund balance to net assets:

Fund balance	\$ 83,972
Adjustments:	
Capital assets that are purchased to be used in governmental activities are reported as expenditures in general fund. However, the statement of net assets includes those capital assets (net of accumulated depreciation) among the Organization's assets as a whole	<u>829</u>
Net assets	<u>\$ 84,801</u>

Following is an explanation of the adjustments between the general fund statement of revenues, expenditures and changes in fund balance and the government-wide statement of activities, which reconciles the net change in fund balances to the change in net assets:

Net change in fund balance	\$ 29,246
Adjustments:	
Governmental funds report capital outlay as expenditures. However in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	921
Depreciation expense is reported in the statement of activities, but because depreciation does not require the use of current financial resources, it is not reported as an expenditure in the general fund.	<u>(92)</u>
Change in net assets	<u>\$ 30,075</u>

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REHMANN ROBSON

Certified Public Accountants

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June 29, 2007

To Senior Management and
The Board of Directors
Northern Michigan Law Enforcement
Training Group
Traverse Organization, Michigan

In planning and performing our audit of the financial statements of ***Northern Michigan Law Enforcement Training Group***, (the "Organization") as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

Preparation of Financial Statements in Accordance with Accounting Principles Generally Accepted in the United States of America

All Michigan governments are required to prepare financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). This is a responsibility of the Organization's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

As is the case with many smaller and medium-sized entities, the Organization is relying on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Organization's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the Organization's *internal* controls.

This condition was caused by the Organization's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Organization to perform this task internally. As a result of this condition, the Organization lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The Organization has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Organization to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Preparation of a Budget in Accordance with Accounting Principles Generally Accepted in the United States of America

Annual budgets should be adopted on a basis consistent with generally accepted accounting principles for the Organization's General fund. No later than December 31st of the preceding fiscal year the Board of Directors shall, by resolution, adopt the budget for the next year. For 2006, the Organization's Board of Directors did not adopt a budget for the General fund. We recommend that the organization adopt a budget for 2007 as soon as feasibly possible and also adopt the 2008 budget prior to December 31, 2007.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are not material weaknesses.

This information is intended solely for the use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is positioned in the lower right area of the page.